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Macroeconomic policy questions: external debt crisis and development

Draft resolution submitted by the Vice-Chairman of the Committee, Mr. Odyek Agora (Uganda), on the basis of informal consultations held on draft resolution A/C.2/53/L.2

Enhancing international cooperation towards a durable solution to the external debt problem of developing countries

The General Assembly,

Recalling its resolutions 48/165 of 21 December 1993 and 50/92 of 20 December 1995, the report of the Ad Hoc Committee of the Whole of the General Assembly for the Mid-Term Review of the Implementation of the United Nations New Agenda for the Development of Africa in the 1990s[1] and the Agenda for Development,[2] as well as the results, as agreed, of all major United Nations conferences and summit meetings held since the beginning of the 1990s,

Recalling also its resolutions 51/164 of 16 December 1996 and 52/185 of 18 December 1997 on enhancing international cooperation towards a durable solution to the external debt problem of developing countries,

Reaffirming the urgent need for further implementation in an effective, equitable and development-oriented way of existing mechanisms for the treatment of the external debt and debt-servicing problems of developing countries in order to help them exit from the rescheduling process and unsustainable debt burdens, and, in this context, stressing the need to agree upon equitable burden-sharing among the international public creditor community,

Welcoming and emphasizing the importance of the efforts of debtor countries, despite the great social cost often involved, in pursuing economic reform, stabilization and structural adjustment programmes aimed at achieving stability, raising domestic savings and

* Reissued for technical reasons.

[1] *Official Records of the General Assembly, Fifty-first Session, Supplement No. 48* (A/51/48).

[2] Resolution 51/240, annex.

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investments, attaining competitiveness to take advantage of market access opportunities where available, reducing inflation, improving economic efficiency, addressing the social aspects of development, including the eradication of poverty as well as the development of social safety nets for the vulnerable and poorer strata of their populations, and encouraging them to continue in these efforts,

Noting that the ongoing international financial crisis is adding further burdens to the external debt problems of many developing countries and that a number of developing countries have continued to meet their international debt and debt-service obligations in a timely fashion, despite serious external and domestic financial constraints,

Noting also, in this context, the increasing significance of official development assistance as an external resource for many developing countries, particularly African countries and the least developed countries, in the light of reduced private flows, and also that the overall declining trend in official development assistance is a cause for concern,

Stressing the need for a full, swift implementation of those initiatives, which will further assist developing countries, in particular the poorest and heavily indebted countries, especially in Africa, in their efforts to improve their debt situation in view of their continued very high level of total debt stock and servicing burdens,

Noting the improvement in the debt situation of a number of countries and the contribution that the evolving debt strategy has made to this improvement, noting with appreciation the debt relief measures taken by creditor countries both within the framework of the Paris Club and through the cancellation and equivalent relief of bilateral official debt, and welcoming the even more favourable debt-relief measures taken by the Paris Club on the basis of the Naples terms of December 1994 and, for the first time, on the basis of the Lyon terms,

Noting with concern the continuing debt and debt-servicing problems of indebted developing countries as constituting an element adversely affecting their development efforts and economic growth, and stressing the importance of alleviating the onerous debt and debt-service burdens connected with the various types of debt of many developing countries on the basis of an effective, equitable, development-oriented and durable approach and, where appropriate, addressing the full stock of debt of the poorest and most indebted developing countries as a matter of priority,

Encouraging multilateral creditors to consider appropriate measures in the case of developing countries with exceptionally high levels of debt overhang,

Welcoming the decision of the International Monetary Fund and the World Bank to undertake a comprehensive review of the Heavily Indebted Poor Countries Debt Initiative as early as in 1999,

Stressing the need for continuing global economic growth and the necessity for a continuing supportive international economic environment with regard to, *inter alia*, terms of trade, commodity prices, improved market access, trade practices, access to technology, exchange rates and international interest rates, and noting the continued need for resources for the sustained economic growth and sustainable development of the developing countries in accordance with the relevant General Assembly resolutions and recent United Nations conferences,

1. *Takes note* of the report of the Secretary-General on the debt situation of the developing countries as of mid-1998;[3]

[3] A/53/373.

2. *Recognizes* that effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries can contribute substantially to the strengthening of the global economy and to the efforts of developing countries to achieve sustained economic growth and sustainable development in accordance with the relevant General Assembly resolutions and recent United Nations conferences;

3. *Notes* that further progress, including swift implementation of innovative approaches and concrete measures, is essential for contributing to effective, equitable, development-oriented and durable solutions to the external debt and debt-servicing problems of developing countries, particularly the poorest and heavily indebted countries;

4. *Also notes*, while recognizing the benefits of liberalization of international capital flows, the adverse impact of the volatility of short-term capital flows on exchange rates, interest rates and the debt situation of developing countries, and stresses the need for coherence in implementing policies, as well as capital accounts liberalization in an orderly, gradual and well-sequenced manner to keep pace with the strengthening of countries' ability to sustain its consequences, in order to mitigate the adverse impact of such volatility;

5. *Urges* the international community to consider voluntary measures and mechanisms, involving private creditors and taking into account existing frameworks, that would allow debtor countries breathing space through, *inter alia*, mutually agreed temporary suspension of payments while maintaining their access to interim financing, and, in this regard, welcomes the IMF's willingness to consider providing financing to members in arrears on their debt payments to some private creditors;

6. *Stresses* the urgent need to endow the International Monetary Fund with adequate resources to provide emergency financing to countries affected by financial crises as a result, *inter alia*, of the high volatilities of international capital flows and which continue to pursue a programme of economic stabilization and reform;

7. *Also stresses* the need for the Bretton Woods institutions to fully consider the special economic situations of indebted developing countries affected by natural disasters when providing emergency financing;

8. *Welcomes* the decisions announced by various creditor countries to cancel, partially or totally, the official bilateral debt of the countries of Central America that were most adversely hit by hurricane Mitch, as well as the decisions by donor countries to help reduce debt owed to multilateral institutions, while recognizing the need to ensure that adequate resources are still directed towards relief and rehabilitation efforts, and welcomes also the proposals to discuss at the Paris Club meeting to be held on 7 December 1998 further debt relief for the concerned countries, and calls upon the international financial institutions to help those countries in their reconstruction efforts, *inter alia*, by lessening the debt-service burden and considering appropriate additional measures and the early consideration of Nicaragua and Honduras for debt relief under the Heavily Indebted Poor Countries Initiative;

9. *Stresses* the importance for developing countries of continuing their efforts to promote a favourable environment for attracting foreign investment, thereby promoting economic growth and sustainable development so as to favour their exit from debt and debt-servicing problems, and also stresses the need for the international community to promote a conducive external environment through, *inter alia*, improved market access, stabilization of exchange rates, effective stewardship of international interest rates, increased resource flows, access to international financial markets, the flow of financial resources and improved access to technology for the developing countries;

10. *Also stresses* that the evolving debt strategy must be accompanied by a favourable and supportive international economic environment, including the full implementation of the results of the Uruguay Round of multilateral trade negotiations, and the Marrakesh ministerial decisions in favour of the least developed countries and the net food-importing developing countries;[4]

11. *Further stresses* the need for existing facilities to provide debt-relief measures through various debt conversion programmes, where possible, such as debt-equity swaps, debt-for-nature swaps, debt-for-child development swaps and other debt-for-development swaps, to be widely implemented so that the countries concerned may be assisted in their development efforts, as well as to support measures in favour of the most vulnerable segments of the societies of those countries and to develop techniques of debt conversion applied to social development programmes and projects, in conformity with the priorities of the World Summit for Social Development, held at Copenhagen in March 1995;

12. *Recognizes* the need for attaching higher priority to social aspects in the Heavily Indebted Poor Countries Debt Initiative;

13. *Welcomes* the progress made in the implementation of the Heavily Indebted Poor Countries Initiative and the extension by the Executive Board of the International Monetary Fund of the original two-year period for countries to begin qualifying for assistance until end of year 2000, and stresses that the HIPC Initiative offers an important opportunity for the heavily indebted poor countries to reach a sustainable external debt position;

14. *Calls* for the speedy and determined extension of the Initiative to more countries, and encourages all eligible countries to take policy measures needed to embark on the process as soon as possible so that all can be in process by the year 2000;

15. *Stresses* the need for the International Monetary Fund and the World Bank to expeditiously address the special needs of poor post-conflict countries in close cooperation with all relevant parts of the United Nations system, and, in this context, welcomes the decision of the Executive Board of the International Monetary Fund to add a degree of flexibility in its evaluation of track records of policy performance for countries receiving post-conflict assistance;

16. *Stresses* the urgent need for effective mobilization of additional financial resources for the Heavily Indebted Poor Countries Debt Initiative from both bilateral and multilateral creditors without affecting the support required for other development activities of developing countries and, in this regard, expresses its appreciation for contributions made by some bilateral donors to the Heavily Indebted Poor Countries Trust Fund of the World Bank and the Enhanced Structural Adjustment Facility/Heavily Indebted Poor Countries Trust Fund of the International Monetary Fund, and urges other bilateral donors and invites other international financial institutions that have not yet finalized mechanisms for participation in the Initiative to do so as soon as possible, and calls upon bilateral and multilateral donors to contribute to the Highly Indebted Poor Countries Trust Fund to help the African Development Bank meet its share of HIPC Initiative costs;

17. *Calls upon* the industrialized countries that have not yet contributed to the Enhanced Structural Adjustment Facility/Heavily Indebted Poor Countries Trust Fund to come forward immediately with their contributions;

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[4] See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994.7).

18. *Stresses* the importance of implementing the Heavily Indebted Poor Countries Debt Initiative flexibly, including shortening the interval between the decision and completion points, taking due account of the policy performance of the countries concerned, in a transparent manner and with the full involvement of the debtor countries;

19. *Also stresses* the importance of increased flexibility with regard to Heavily Indebted Poor Countries Debt Initiative eligibility criteria, continuously evaluating and actively monitoring the implications of the existing terms of the eligibility criteria so as to ensure sufficient coverage of heavily indebted poor countries, and, in this context, increased flexibility is particularly important for known borderline cases and countries in post-conflict situations, including avoiding delays in the establishment of a track record of economic performance caused by temporary setbacks due to external shocks, in order to help them exit from the rescheduling process and from unsustainable debt burdens;

20. *Underlines* the importance of the transparency and involvement of debtor countries in any review and analysis that is conducted during the adjustment period;

21. *Welcomes* the implementation since 1994 by the Paris Club of the Naples terms, as well as the decision to go beyond the Naples terms to provide debt reduction for eligible countries, in particular the poorest and most heavily indebted countries, and invites all other bilateral, multilateral and commercial creditors to make an appropriate and consistent contribution to the common objective of debt sustainability;

22. *Encourages* the international creditor community to consider appropriate measures in cases with a very high level of debt overhang, including, where appropriate, debt conversion measures for the low income countries in Africa, in particular the poorest among them, in order to make an appropriate and consistent contribution to the common objective of debt sustainability;

23. *Welcomes* the decision of the Boards of the International Monetary Fund and the World Bank that the comprehensive review of the Heavily Indebted Poor Countries Initiative should be as early as 1999, encourages that the review include the consideration of debt sustainability criteria, as well as a comprehensive study of the impact of traditional debt relief efforts and examine the relationship between debt relief and poverty reduction within the recipient country; and recognizes that the comprehensive review should consider the inputs of other relevant international organizations;

24. *Invites* creditor countries, private banks and multilateral financial institutions, within their prerogatives, to continue the initiatives and efforts to address both the commercial debt problems of the least developed countries and the requests for continued mobilization of resources through the Debt-reduction Facility of the International Development Association in order to help least developed countries reduce their commercial debt;

25. *Recognizes* the efforts of indebted developing countries in regard to fulfilling their commitments on debt servicing despite the high social cost incurred, and, in this regard, encourages private creditors and, in particular, commercial banks to continue their initiatives and efforts to address the commercial debt problems of middle-income developing countries, in particular those affected by the financial crisis;

26. *Stresses* the urgent need to continue to provide social safety nets to vulnerable groups most adversely affected by the implementation of economic reform programmes in debtor countries, in particular low-income groups;

27. *Encourages* debtors and creditors to consider ways to ensure that future loans are used in such a way that they avoid having a negative impact on debt sustainability;

28. *Notes with concern* the continuing burden of debt and debt-service obligations of middle-income developing countries, including in particular those in Africa, and encourages creditors, including multilateral financial institutions, commercial banks and bilateral creditors to continue to support those countries in addressing these obligations effectively;

29. *Expresses strong support* for the continuation of Enhanced Structural Adjustment Facility operations and, in this regard, emphasizes the urgency of securing its funding and sustenance;

30. *Stresses* the need to finalize negotiations as soon as possible for an adequate twelfth replenishment of the International Development Association to a level commensurate with the needs of concessional funding by the poorest developing countries;

31. *Reaffirms* the Mid-term Global Review of Progress towards the Implementation of the Programme of Action for the Least Developed Countries for the 1990s,[5] in particular the appropriate actions in favour of those countries concerning their official bilateral, commercial and multilateral debt;

32. *Stresses* the need for new financial flows to debtor developing countries from all sources, in addition to debt-relief measures that include debt and debt-service reduction, and urges creditor countries and multilateral financial institutions to continue to extend concessional financial assistance, particularly to the least developed countries, in order to support the implementation of economic reforms and stabilization and structural adjustment programmes by the developing countries that will enable them to extricate themselves from the debt overhang and attract new investment and to assist them in achieving sustained economic growth and sustainable development, in accordance with the relevant General Assembly resolutions and recent United Nations conferences, and the eradication of poverty;

33. *Also stresses* the importance of providing adequate resources for debt-relief in the light of the adverse effects of the current international financial crisis on the mobilization of both domestic and external resources for the development of the least developed countries and Africa, and welcomes unilateral debt relief measures from creditor countries on top of the multilaterally agreed debt relief under the Heavily Indebted Poor Countries Initiative, bearing in mind that such unilateral actions strengthen the impact of the Initiative as a credible exit solution;

34. *Further stresses* the need to strengthen the institutional capacity of developing countries in debt management, and calls upon the international community to support their efforts towards that end;

35. *Calls upon* the international community, including the United Nations system, and invites the Bretton Woods institutions, as well as the private sector, to take appropriate measures and actions for the implementation of the commitments, agreements and decisions of the major United Nations conferences and summits organized since the beginning of the 1990s on development related to the question of the external debt problem of developing countries;

36. *Notes* the various proposals contained in the *Trade and Development Report, 1998*, concerning the issue of the external debt of African countries and requests the Secretary-General to report pertinent developments relating thereto to the General Assembly at its fifty-fourth session;

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[5] Resolution 50/103, annex.

37. *Requests* the Secretary-General to report to the General Assembly at its fifty-fourth session on the implementation of the present resolution.